

Message Text

CONFIDENTIAL

PAGE 01 LUXEMB 00990 01 OF 02 030049Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-12
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
NSC-05 EB-08 MCE-00 COME-00 /078 W
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R 021345Z DEC 77
FM AMEMBASSY LUXEMBOURG
TO SECSTATE WASHDC 6079
SECDEF WASHDC/ISA/EUR
USCINCEUR VAIHINGEN GER/ECJ4/7
CINCUSAREUR HEIDLEBERG GER/AEAGD-PO-P
USMNR SHAPE
INFO AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 1 OF 2 LUXEMBOURG 0990

SHAPE FOR GENERAL HAIG

E.O. 11652: GDS
TAGS: MARR, LU
SUBJECT: MEETING WITH LUXEMBOURG MINISTERS 1 DECEMBER 1977;

REF: (A) LUXEMBOURG 0926, (B) LUXEMBOURG 0935

SUMMARY: AT MY REQUEST A US ARMY TEAM LED BY MAJOR
GENERAL GROVES, CHIEF OF STAFF, USAREUR, CAME TO LUXEM-
BOURG NOVEMBER 30 AND DECEMBER 1 TO CLARIFY THE US ARMY'S
POSITION ON STORAGE SITES IN LUXEMBOURG. IN A MEETING
WITH PRIME MINISTER THORN, MINISTER OF PUBLIC FORCES,
EMILE KRIEPS, AND REPRESENTATIVES OF THE MINISTRY OF
FINANCE AND ARBED (LUXEMBOURG'S MAJOR STEEL COMPANY),
GENERAL GROVES OUTLINED THE OPTIONS FOR A STORAGE SITE
AGREEMENT. IT WAS AGREED THAT: (A) THE US ARMY AND THE
GOVERNMENT OF LUXEMBOURG ARE INTERESTED IN LOCATING STORAGE
FACILITIES IN LUXEMBOURG; (B) BECAUSE OF TIME PRESSURES
CONFIDENTIAL

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PAGE 02 LUXEMB 00990 01 OF 02 030049Z

AND POLITICAL AND ECONOMIC CONSIDERATIONS BOTH SIDES RE-
GARD A "FULL SERVICE CONTRACT" AS THE
BEST APPROACH AT THIS TIME; (C) THE US SIDE WILL NAME EX-
PERTS TO MEET WITH LUXEMBOURG EXPERTS ALREADY DESIGNATED
TO DISCUSS FINANCIAL, LEGAL AND TECHNICAL ARRANGEMENTS;
(D) THESE EXPLORATORY DISCUSSIONS WILL BE AD REFERENDUM
AND BINDING ON NEITHER SIDE; (E) THE US SIDE WILL IN-

CORPORATE THESE POINTS IN A REPLY TO MINISTER OF PUBLIC FORCES KRIEPS' LETTER OF AUGUST 29, 1977 TO ME. END SUMMARY.

1. IN JANUARY 1977, USAREUR REPRESENTATIVES MET WITH LUXEMBOURG OFFICIALS TO BEGIN EXPLORATORY TALKS ON THE POSSIBILITY OF ACQUIRING STORAGE FACILITIES FOR US ARMY EQUIPMENT IN LUXEMBOURG. A SERIES OF SUBSEQUENT MEETINGS AND VISITS BY US ARMY SURVEY TEAMS RESULTED IN A LETTER DATED AUGUST 29, 1977 FROM THE LUXEMBOURG GOVERNMENT (SIGNED BY THE MINISTER OF PUBLIC FORCES) WHICH INDICATED THE GOL'S WILLINGNESS TO CONTINUE DISCUSSIONS AT THE TECHNICAL LEVEL WITH A VIEW TO EARLY CONCLUSION OF A STORAGE SITE AGREEMENT.

2. DURING VISITS TO USAREUR HEADQUARTERS NOV. 8 AND EUCOM HEADQUARTERS NOV 23, I DISCOVERED THAT A MISUNDERSTANDING HAS ARISEN BETWEEN THE GOVERNMENT OF LUXEMBOURG AND THE US ARMY ON THE TIMING OF A POSSIBLE AGREEMENT. PRIME MINISTER THORN AND OTHER MEMBERS OF HIS GOVERNMENT HAD THE IMPRESSION FROM THE INITIAL AND SUBSEQUENT EXPLORATORY TALKS THAT THE US ARMY FACED AN URGENT REQUIREMENT FOR STORAGE SPACE AND WAS PREPARED TO REACH AGREEMENT WITH THE GOL IN A 6 TO 12 MONTH TIME FRAME. IT WAS CLEAR FROM MY DISCUSSIONS AT USAREUR AND EUCOM, HOWEVER, THAT ONLY UNDER VERY SPECIFIC CONDITIONS COULD THE US ARMY REACH AGREEMENT THAT RAPIDLY, AND THAT EVEN THOSE

CONFIDENTIAL

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PAGE 03 LUXEMB 00990 01 OF 02 030049Z

CONDITIONS WERE SUBJECT TO QUALIFICATIONS. BECAUSE PRIME MINISTER THORN HAD TOLD ME ON MANY OCCASIONS THAT REACHING A STORAGE SITE AGREEMENT QUICKLY WAS POLITICALLY IMPORTANT TO HIM, AND BECAUSE HE HAD BEEN LED TO BELIEVE THAT THE US SIDE WAS CAPABLE OF MOVING QUICKLY, I WAS CONCERNED THAT A MISUNDERSTANDING ABOUT REAL US ARMY CAPABILITIES WOULD BE HARMFUL TO US-LUXEMBOURG RELATIONS. I THEREFORE ASKED EUCOM AND USAREUR TO SEND A HIGH LEVEL TEAM TO LUXEMBOURG TO BRIEF THE PRIME MINISTER ON THE ARMY'S POSITION.

3. MAJOR GENERALS GROVES, BASS, PRENTISS, AND PARTAIN, ACCOMPANIED BY COLONELS KASTEMAYER AND HEGDAHL FROM EURCOM, AND COLONELS LAWRENCE AND MALANSON FROM ODC/BRUSSELS MET ON DEC 1, FOR AN HOUR AND 40 MINUTES WITH PRIME MINISTER THORN, MINISTER OF PUBLIC FORCES KRIEPS, AND OTHER LUXEMBOURG OFFICIALS. GENERAL GROVES BEGAN BY EXPRESSING REGRET FOR ANY MISUNDERSTANDINGS THAT HAD ARISEN DURING THE WORKING LEVEL TALKS TO DATE. HE REASSURED THE PRIME MINISTER THAT THE US ARMY IS INTERESTED IN STORAGE FACILITIES IN LUXEMBOURG AND INDICATED A PRESENT NEED FOR 180,000 SQUARE METERS OF STORAGE SPACE AND SAID THAT ADDITIONAL SPACE, BOTH FOR MILITARY EQUIPMENT AND AMUNITION, COULD BE NEEDED IN THE

FUTURE. GENERAL GROVES THEN OUTLINED FOUR OPTIONS FOR ACQUIRING THE SPACE; (A) THROUGH US MILITARY CONSTRUCTION; (B) NATO INFRASTRUCTURE FINANCING; (C) A BUILT-TO-LEASE AGREEMENT; AND (D) A FULL SERVICE CONTRACT. HE EXPLAINED THE ADVANTAGES AND DISADVANTAGES OF EACH OPTION, INDICATING THAT OPTION (B) NATO INFRASTRUCTURE FINANCING IS PROBABLY NOT FEASIBLE ACCORDING TO INFORMAL VIEWS IN BRUSSELS AND WASHINGTON.

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PAGE 01 LUXEMB 00990 02 OF 02 030110Z
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R 021345Z DEC 77
FM AMEMBASSY LUXEMBOURG
TO SECSTATE WASHDC 6080
SECDEF WASHDC/ISA/EUR
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USMNR SHAPE
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C O N F I D E N T I A L SECTION 2 OF 2 LUXEMBOURG 0990

SHAPE FOR GENERAL HAIG

4. GENERAL GROVES ADDED THAT A FULL SERVICE CONTRACT WOULD BE THE MOST EXPEDITIOUS ROUTE TO EARLY CONSTRUCTION OF STORAGE FACILITIES. HE WAS CAREFUL, HOWEVER, TO UNDERSCORE THE PROBLEMS CONNECTED WITH A SERVICE CONTRACT AGREEMENT: SUCH A CONTRACT WOULD BE SUBJECT TO ARMED SERVICE PROCUREMENT REQUIREMENTS (ASPRS); IT WOULD ONLY BE FOR A FIVE YEAR PERIOD; AND IT COULD NOT CIRCUMVENT A "BUILT-TO-LEASE" CONTRACT IN THAT CAPITAL COST AMORTIZATION COULD NOT BE THE MAJOR PORTION OF THE TOTAL SUM PAID BY THE US IN ANY YEAR OF THE CONTRACT.

5. PRIME MINISTER THORN REPLIED BY THANKING GENERAL GROVES FOR HAVING CLARIFIED THE ISSUES. THE PRIME MINISTER EXPLAINED THAT US ARMY'S STORAGE SPACE PROPOSALS HAD COME

AT AN OPPORTUNE MOMENT FROM A LUXEMBOURG POLITICAL AND ECONOMIC STANDPOINT. LUXEMBOURG IS SUFFERING SEVERE ECONOMIC DISLOCATIONS, PARTICULARLY IN THE STEEL INDUSTRY, AND
CONFIDENTIAL

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PAGE 02 LUXEMB 00990 02 OF 02 030110Z

THE US ARMY STORAGE SPACE PROPOSALS, WITH THE POSSIBILITY OF INVESTMENT AND JOBS, IS CURRENTLY ATTRACTIVE. TIME IS IMPORTANT, HOWEVER, BECAUSE HIS GOVERNMENT FACES NATIONAL ELECTIONS IN 1979, AND BECAUSE THERE COULD BE A POLITICAL BACKLASH IF IT APPEARED THAT THE US SIDE WAS BACKING AWAY FROM ITS EARLY PROPOSALS. - PRIME MINISTER THORN AGREED THAT IN THESE CIRCUMSTANCES A SERVICE TO SERVICE CONTRACT WOULD BE THE MOST ADVANTAGEOUS OPTION TO THE LUXEMBOURG SIDE, PARTICULARLY IF IT WERE A PRELIMINARY STEP WHICH WOULD EVENTUALLY BE FOLLOWED BY A "BUILT-TO-LEASE" AGREEMENT. THORN ADDED THAT THE GOL ENVISAGED SETTING UP A QUASI GOVERNMENTAL CORPORATION INCLUDING ARBED AND THE LUXEMBOURG CREDIT AND INVESTMENT CORPORATION TO FINANCE AND MANAGE THE STORAGE FACILITIES. HE SAID HE WOULD LIKE TO STUDY US ARMY ASPRS BUT BELIEVED THEY WOULD NOT PRESENT INSURMOUNTABLE DIFFICULTIES SINCE AN EVENTUAL CONTRACT WOULD BE WITH A QUASI GOVERNMENTAL CORPORATION RATHER THAN WITH THE GOL. HE SAID THE MAJOR PROBLEM HE SAW WAS THE ONE-YEAR-RENEWABLE PROVISION OF SERVICE CONTRACTS, BUT ADDED THE GOL WOULD LIKE TO EXPLORE THE POSSIBILITY OF BEGINNING WITH A SERVICE CONTRACT AND EVENTUALLY NEGOTIATING A BUILT-TO-LEASE AGREEMENT. THE PRIME MINISTER ASKED FOR AN INDICATION OF THE TIME PERIOD FOR ACTUAL CONSTRUCTION OF FACILITIES UNDER SUCH AN ARRANGEMENT.

6. GENERAL GROVES CAUTIONED THAT THE US ARMY WOULD NEED TO MAKE CERTAIN OF ITS AUTHORITY TO ENTER INTO A SERVICE CONTRACT IN SUCH A CASE AND TO ASSURE THAT FUNDS ARE AVAILABLE FOR INITIAL COSTS. IF THOSE PREREQUISITES WERE MET, HE CONTINUED, IT SHOULD BE POSSIBLE TO CONCLUDE NEGOTIATIONS AND BEGIN CONSTRUCTION ON THE ACTUAL SITES IN SIX MONTHS. HE ADDED THAT IT MIGHT BE POSSIBLE TO BEGIN
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LUXEMB 00990 02 OF 02 030110Z

WITH UNCOVERED STORAGE AREAS WHICH WOULD EVENTUALLY BE CONVERTED TO COVERED STORAGE SPACE. UNDER SUCH AN ARRANGEMENT IT IS CONCEIVABLE THAT LUXEMBOURG COULD ACTUALLY BEGIN TO RECEIVE, STORE AND MAINTAIN EQUIPMENT WITHIN 6 TO 8 MONTHS AFTER THE CONTRACT IS SIGNED. GENERAL GROVES ADDED THAT TALKS COULD BEGIN

IMMEDIATELY ON THE LEGAL, FINANCIAL AND TECHNICAL ASPECTS OF THE PROBLEM AND THAT HE WOULD NAME A TEAM OF US EXPERTS WITHIN THE NEXT FEW DAYS.

7. PRIME MINISTER THORN SAID HE HOPED AGREEMENT IN PRINCIPAL COULD BE REACHED IN APRIL OR MAY AND THAT SOME FORM OF ON-SITE ACTIVITY COULD BEGIN BEFORE THE SUMMER OF 1977.

8. FOLLOWING GENERAL DISCUSSION OF POINTS RELATED TO OPEN AND COVERED FACILITIES, FINANCING AND TECHNICAL REQUIREMENTS, BOTH SIDES AGREED THAT EXPLORATORY TALKS SHOULD BEGIN AS SOON AS POSSIBLE AT THE EXPERT LEVEL ON LEGAL, FINANCIAL AND TECHNICAL ISSUES. GENERAL GROVES SAID HE WOULD PROVIDE THE NAMES OF US PARTICIPANTS WITHIN THE NEXT FEW DAYS, AND THAT HE WOULD IMMEDIATELY VERIFY USEURS AUTHORITY TO NEGOTIATE AND INITIATE NECESSARY FUNDING ACTIONS. HE ADDED THAT EXPLORAROTY TALKS COULD CONTINUE ON AN AD REFERENDUM BASIS UNTIL USEURS AUTHORITY TO NEGOTIATE A CONTRACT WAS DETERMINED. FINALLY, IT WAS AGREED THAT A LETTER IN REPLY TO THE KRIEP'S LETTER OF AUGUST 29 WOULD BE JOINTLY DRAFTED BY THE AMERICAN AND LUXEMBOURG SIDES FOR MY SIGNATURE. LOWENSTEIN

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Message Attributes

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